

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Northwest Michigan Council of Governments		County Grand Traverse	
Fiscal Year End September 30, 2005		Opinion Date February 7, 2006		Date Audit Report Submitted to State June 20, 2006			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	There was no need for letter of comments and recommendations.	
Other (Describe)		<input checked="" type="checkbox"/>	Includes Single Audit reports and Data Collection Form.	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			Telephone Number (248) 844-2550	
Street Address 745 Barclay Circle, Suite 335			City Rochester Hills	State MI
Zip 48307				
Authorizing CPA Signature 		Printed Name Michael T. Gaffney, CPA		License Number 16288

**Northwest Michigan Council
of Governments
Traverse City, Michigan**

FINANCIAL STATEMENTS

September 30, 2005

Northwest Michigan Council of Governments

TABLE OF CONTENTS

September 30, 2005

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9-18
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	19-28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	29-38
Schedule of Expenditures of Federal Awards	39-41
Notes to Schedule of Expenditures of Federal Awards	42
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	44-45
SCHEDULE OF FINDINGS	46-47
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	48

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Michigan Council of Governments as of and for the year ended September 30, 2005, which collectively comprise the Northwest Michigan Council of Governments' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Northwest Michigan Council of Governments as of September 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2006, on our consideration of the Northwest Michigan Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 7, 2006

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2005

The Northwest Michigan Council of Governments is in its third year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Council's financial performance during the year ending September 30, 2005, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Council's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Council exceeded its liabilities at September 30, 2005, by \$1,206,441 at the entity-wide level. Of this amount, \$882,350 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets increased \$50,955 as a result of this period's operations.
- As of September 30, 2005, the Council's governmental fund reported an ending fund balance of \$1,102,277, a decrease of \$55,778.
- As of September 30, 2005, the designated fund balance was \$232,743. The unreserved and undesignated fund balance was \$869,534.

Overview of the Financial Statements

The Northwest Michigan Council of Governments' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Council. They present an overall view of the Council's finances, reporting the assets and liabilities for the year ending September 30, 2005.

The statement of net assets present information on all of the Northwest Michigan Council of Governments' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the year ending September 30, 2005. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The Northwest Michigan Council of Governments' offices are supported by governmental grants, donations, fees, rents, interest, and contributions. The governmental activities of the Council are all considered employment and training or planning programs. The Council does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Northwest Michigan Council of Governments.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements. The Council operates with forty-seven funds, which are considered governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-18 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the activities of non-major governmental funds on pages 19-38. Other supplementary information concerning expenditures of federal awards can be found on pages 39-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Northwest Michigan Council of Governments, assets exceeded liabilities by \$1,206,441. The following table compares net assets data for 2005 to net assets data for the prior year, 2004.

	<u>2004</u>	<u>2005</u>	<u>Change 2004-2005</u>
Current assets	\$ 1,035,869	\$ 908,670	\$(127,199)
Noncurrent assets	1,541,783	1,443,825	(97,958)
Capital assets	<u>162,257</u>	<u>338,414</u>	<u>176,157</u>
Total assets	2,739,909	2,690,909	(49,000)
Current liabilities	886,072	841,927	(44,145)
Noncurrent liabilities	<u>698,351</u>	<u>642,541</u>	<u>(55,810)</u>
Total liabilities	<u>1,584,423</u>	<u>1,484,468</u>	<u>(99,955)</u>
Net assets			
Invested in capital assets	141,794	324,091	182,297
Unrestricted	<u>1,013,692</u>	<u>882,350</u>	<u>(131,342)</u>
Total net assets	<u>\$ 1,155,486</u>	<u>\$ 1,206,441</u>	<u>\$ 50,955</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) decreased by \$131,342. This represents a decrease of approximately 13 percent. The current level of unrestricted net assets for our governmental activities stands at \$882,350, or approximately 9.4 percent of annual expenditures. This is within our desired range.

The following table compares the changes in net assets for the year ended September 30, 2005 to changes in net assets for the year ended September 30, 2004.

	<u>2004</u>	<u>2005</u>
Program revenues		
Operating grants and other/contributions	\$ 8,102,399	\$ 8,658,218
Charges for Services	838,764	707,500
General revenue		
Interest	34,521	40,181
Loss on Investments	(21,199)	(11,313)
Other	<u>89,177</u>	<u>72,243</u>
Total revenues	9,043,662	9,466,829
Program Expenses	<u>9,109,157</u>	<u>9,415,874</u>
Change in net assets	<u>\$(65,495)</u>	<u>\$ 50,955</u>

Financial Analysis of the Government's Funds

As noted earlier, the Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements.

Governmental Funds: The focus of the Northwest Michigan Council of Governments' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Michigan Council of Governments' financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2005, the governmental funds reported an ending fund balance of \$1,102,277; a decrease of \$55,778 from the prior year. Of this total, \$232,743 has been designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2005 was \$869,534.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unreserved-undesignated fund balance to total fund expenditures. Total fund balance for 2005 represents approximately 11.6 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 9.1 percent of total expenditures.

Capital Asset and Debt Administration

Capital Assets: The Northwest Michigan Council of Governments' investment in capital assets as of September 30, 2005, amounts to \$338,414 (net of accumulated depreciation).

Long-term Obligations: The Northwest Michigan Council of Governments executed a loan agreement to finance a prepaid building lease in 1994. The Council executed a loan agreement to purchase an automobile in February 2003. As of September 30, 2005, the balance of the loans was \$493,365, a decrease of \$(76,793) from a year ago. The Council also has a long-term obligation related to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2004 was \$205,458, and at September 30, 2005 was \$232,743.

Economic Factors

From FY 04 to FY 05, the Northwest Michigan Council of Governments experienced a 7.7% increase in grant funding for employment and training programs primarily due to increased expenditure of WIA funds with less carryover, and also increased funding from the Workforce Investment Act for the Dislocated Worker program. Overall, Michigan's WIA Dislocated Worker allocation was higher because of its unemployment situation relative to all other states.

Combined with miscellaneous other changes in grant funding, the net effect for the COG was an increase of \$555,819 in grant funds from FY 04 to FY 05.

Requests for Information

This financial report is designed to provide a general overview of the Northwest Michigan Council of Governments' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northwest Michigan Council of Governments located at 2194 Dendrin Drive, Traverse City, Michigan, or, mailing address of P.O. Box 506, Traverse City, Michigan 49685-0506.

BASIC FINANCIAL STATEMENTS

Northwest Michigan Council of Governments

Statement of Net Assets

September 30, 2005

Assets

Current Assets

Cash

Petty Cash

\$ 1,600

Cash and Cash Equivalents

354,965

Accounts receivable

TBAISD

13,205

State of Michigan

498,525

Other

40,375

Total Current Assets

908,670

Non-Current Assets

Investments

951,967

Prepaid Lease - Net

491,858

Capital Assets - Net

338,414

Total Non-Current Assets

1,782,239

Total Assets

2,690,909

Liabilities

Current Liabilities

Accounts Payable

NWMPIC

46,128

TBAISD

88,438

State of Michigan

531,100

Other

92,694

Notes Payable - Current Portion

83,567

Total Current Liabilities

841,927

Non-current Liabilities

Accrued Vacation and Sick Leave

232,743

Notes Payable - Non-current Portion

409,798

Total Non-current Liabilities

642,541

Total Liabilities

1,484,468

Net Assets

Invested in Capital Assets - Net of Related Debt

324,091

Unrestricted

882,350

Total Net Assets

\$ 1,206,441

Northwest Michigan Council of Governments

Statement of Activities

September 30, 2005

Expenses

Administration	\$ 676,483
Training	1,297,615
Services	5,388,821
Intensive	294,067
Core Services	1,384,070
Procurement	150,000
Interest on Long-term Debt	18,884
Amortization of Prepaid Lease	120,455
Unallocated Depreciation	<u>85,479</u>
Total Expenses	9,415,874

Program Revenues

Grants	8,578,083
Rents	707,500
Other	<u>80,135</u>
Total Program Revenues	<u>9,365,718</u>
Net Program Revenues	(50,156)

General Revenues

Interest Earnings	40,181
Gains (Losses) on Investments	(11,313)
Other	<u>72,243</u>
Total General Revenues	<u>101,111</u>
Change in Net Assets	50,955
Net Assets, Beginning of Period	<u>1,155,486</u>
Net Assets, End of Period	<u><u>\$ 1,206,441</u></u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	General	WIA Adult 04/05	WIA DW 04/05	WIA Youth 04/05
<u>Assets</u>				
Cash				
Petty Cash	\$ 200	\$ -	\$ -	\$ -
Cash and Cash Equivalents	108,162	137,325	155,886	98,967
Accounts Receivable				
TBAISD	757	-	-	-
State of Michigan	-	-	-	-
Other	28,182	-	-	-
Investments	951,967	-	-	-
Total Assets	<u>\$ 1,089,268</u>	<u>\$ 137,325</u>	<u>\$ 155,886</u>	<u>\$ 98,967</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
NWMPIIC	\$ 46,128	\$ -	\$ -	\$ -
TBAISD	-	-	-	-
State of Michigan	-	137,325	155,886	98,967
Other	1,160	-	-	-
Total Liabilities	47,288	137,325	155,886	98,967
Fund Balances				
Unreserved				
Designated for Accrued Vacation & Sick Leave	232,743	-	-	-
Undesignated, Reported in:				
General Fund	809,237	-	-	-
Special Revenue Funds	-	-	-	-
Total Fund Balances	<u>1,041,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,089,268</u>	<u>\$ 137,325</u>	<u>\$ 155,886</u>	<u>\$ 98,967</u>

WIA Admin 04/05	WF TANF	Non-Major Governmental Funds	Total Governmental Funds
\$ 600	\$ -	\$ 800	\$ 1,600
87,416	3,204	(235,995)	354,965
-	-	12,448	13,205
-	-	498,525	498,525
-	-	12,193	40,375
-	-	-	951,967
<u>\$ 88,016</u>	<u>\$ 3,204</u>	<u>\$ 287,971</u>	<u>\$ 1,860,637</u>
\$ -	\$ -	\$ -	\$ 46,128
-	1,703	86,735	88,438
88,016	1,501	49,405	531,100
-	-	91,534	92,694
88,016	3,204	227,674	758,360
-	-	-	232,743
-	-	-	809,237
-	-	60,297	60,297
-	-	60,297	1,102,277
<u>\$ 88,016</u>	<u>\$ 3,204</u>	<u>\$ 287,971</u>	<u>\$ 1,860,637</u>

Northwest Michigan Council of Governments
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
September 30, 2005

Total fund balance - governmental funds **\$ 1,102,277**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 745,760	
Accumulated depreciation is	<u>(407,346)</u>	
		338,414

Prepaid lease that is being amortized over the life of the lease.

The cost of the prepaid lease is	1,806,825	
Accumulated amortization of prepaid lease is	<u>(1,314,967)</u>	
		491,858

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Notes payable	(479,042)	
Auto loan	(14,323)	
Compensated absences	<u>(232,743)</u>	
		<u>(726,108)</u>

Net assets of governmental activities	<u><u>\$ 1,206,441</u></u>
--	-----------------------------------

See accompanying notes to financial statements.

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and

Changes in Fund Balance - Governmental Funds

For the Year Ended September 30, 2005

	<u>General</u>	<u>Adult 04/05</u>	<u>DW 04/05</u>	<u>Youth 04/05</u>
<u>Revenues</u>				
Grants	\$ -	\$ 1,026,237	\$ 1,134,953	\$ 874,072
Interest Earned	38,195	-	-	-
Gains (Losses) on Investments	(11,313)	-	-	-
Rents	707,500	-	-	-
Other	72,243	-	-	-
Total Revenues	806,625	1,026,237	1,134,953	874,072
<u>Expenditures</u>				
Administration	-	-	-	-
Training	-	452,956	326,088	-
Services	779,931	-	-	874,072
Intensive	-	98,611	136,146	-
Core Services	-	474,670	672,719	-
Procurement	-	-	-	-
Debt Service	97,200	-	-	-
Total Expenditures	877,131	1,026,237	1,134,953	874,072
Excess of Revenues Over (Under) Expenditures	(70,506)	-0-	-0-	-0-
Fund Balances, Beginning of Period	1,112,486	-	-	-
Fund Balances, End of Period	<u>\$ 1,041,980</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WIA Admin. 04/05	WF TANF	Non-Major Governmental Funds	Total Governmental Funds
\$ 320,660	\$ 1,009,214	\$ 4,212,947	\$ 8,578,083
-	-	1,986	40,181
-	-	-	(11,313)
-	-	-	707,500
-	-	80,135	152,378
320,660	1,009,214	4,295,068	9,466,829
320,660	93,079	262,744	676,483
-	-	518,571	1,297,615
-	916,135	3,053,034	5,623,172
-	-	59,310	294,067
-	-	236,681	1,384,070
-	-	150,000	150,000
-	-	-	97,200
320,660	1,009,214	4,280,340	9,522,607
-0-	-0-	14,728	(55,778)
-	-	45,569	1,158,055
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 60,297</u>	<u>\$ 1,102,277</u>

Northwest Michigan Council of Governments
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2005

Net change in fund balances - total governmental funds **\$ (55,778)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 261,636	
Depreciation expense	(85,479)	
Amortization of prepaid lease	<u>(120,455)</u>	
		55,702

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Notes principal and loan retirement	76,793
-------------------------------------	--------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,523	
(Increase) in accrued compensated absences	<u>(27,285)</u>	
		<u>(25,762)</u>

Change in net assets of governmental activities **\$ 50,955**

See accompanying notes to financial statements.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

The following Notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

General Statement

The Northwest Michigan Council of Governments (the Council or NWMCOG) is a voluntary association of counties within the ten-county North West Michigan region. The Council was established in 1984 to assist local governments in planning for common needs, cooperating for mutual benefit, administering the Employment and Training programs, and coordinating for sound regional development. NWMCOG is a political subdivision that was organized pursuant to Public Act 7 and the State of Michigan under the Urban Cooperation Act of 1967. The Council's purpose is to provide employment and training programs, regional planning services, and other social programs for a ten-county region which includes Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford Counties. These operations are reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance in the General Fund. This fund is supplemented by Federal and State administered grant funds to permit the Council to undertake specific programs. These specific programs are reflected in the Special Revenue Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Council's basic financial statements include the accounts of all Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity"; primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Each county is entitled to appoint one member from the county board of commissioners, preferably the chairperson, to the Council's board of directors, which is NWMCOG's policy making and governing body. Member governments and various local agencies for which grants and fundings are issued by the Council have not been included within the Council's basic financial statements because none of the criteria of NCGA Statement No. 3 have been met.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the Council's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Council are:

- a. The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The WIA Adult 04/05, WIA Dislocated Worker, WIA Youth 04/05, WIA Administration 04/05 and Work First TANF Funds are used to account for the operations of these programs, which provide employment and training services to eligible recipients. Revenues consist of Federal and State grants for eligible program expenditures.

Listed below are the acronyms used for the major and nonmajor funds.

SBDC	Small Business Development Center	WIA	Workforce Investment Act
MEDC	Michigan Economic Development Corporation	EDA	Economic Development Administration
TAA	Trade Act Assistance	TANF	Temporary Assistance for Needy Families
GF/GP	General Funds General Purpose	MRS	Michigan Rehabilitation Services
SBTDC	Small Business Technology Development Center		

C. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Council has elected not to follow subsequent private-sector guidance.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

E. Leave Policies

The liability for employees' accumulated leave has been estimated using the *terminal payment method*. It includes an amount to reflect payroll taxes and is recorded in the government-wide financial statements.

Vacation Leave At the conclusion of the first year of employment 10 days of vacation leave will be available. During years two through five, an employee accrues 10 days per year; years six through fifteen, an employee accrues 15 days per year; years sixteen through twenty, 20 days per year. For each year of employment after twenty, an employee accrues 25 days per year.

Employees may accumulate a maximum of 20 days in the first five years of employment; 25 days in years six through fifteen; 30 days in years sixteen through twenty; and 40 days after twenty years of employment. Part-time employees accrue vacation leave on a pro-rated basis.

Sick Leave Employees accrue 12 days per year to be used as sick leave and may accumulate up to 180 days. Employees terminating employment in good standing are paid for unused sick leave at one-half of their prevailing wage rate.

Funeral Leave Employees receive paid leave of 3 to 5 days depending on the employee's relationship to the deceased.

F. Cash and Investments

The Council pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash consists of checking accounts and a money market fund.

Investments include bonds and mutual funds held by Fifth Third Investment Management and Trust Services. All bonds and mutual funds are stated at fair value.

G. Capital Assets

Capital assets include equipment and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition is reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment and computers	5 years

H. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

H. Long-Term Obligations (continued)

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

I. Budgets

The Council has developed a budget for the organization as a whole, which is approved by the Administrative Board. The budget is not prepared at the fund level, and as a result is not reported within these financial statements.

Note 2 - Cash and Investments

The Council utilizes various pooled cash accounts for approximately fifty-four funds. The Council's pooled cash accounts consist of a common checking account and a money market fund.

The Council's pooled cash accounts are utilized by the General Fund and Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash captions on the combined balance sheet.

In accordance with Michigan Compiled Laws, the Council is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Banker's acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 2 - Cash and Investments (continued)

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ -	\$ 1,163
Savings	<u>4,470</u>	<u>4,465</u>
	<u>\$ 4,470</u>	<u>\$ 5,628</u>

Deposits of the Council are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Council. As of September 30, 2005, the Council accounts were fully insured by the FDIC. The Council maintains a petty cash imprest amount of \$1,600, which is included in cash on the balance sheet.

Due to significantly higher cash flow at certain periods during the year, the amount the Council held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Investments

As of September 30, 2005, the carrying amount and market values for the investment funds are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds:		
Fifth Third Investment Management and Trust Services	\$ 951,967	\$ 951,967
Fifth Third Corporate Sweep Investment	<u>350,495</u>	<u>402,552</u>
	<u>\$ 1,302,462</u>	<u>\$ 1,354,519</u>

The cash and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2005:

Cash and cash equivalents	\$ 356,565
Investments	<u>951,967</u>
	<u>\$ 1,308,532</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 3 - Accounts Receivable

The following is a summary of the accounts receivable for the various grant programs as of September 30, 2005:

<u>Grant</u>	<u>Amount</u>
State of Michigan	
Community Correction	\$ 46,635
Procurement	27,200
MEDC	8,000
SBTDC	32,929
WIA Statewide	3,254
Trade Act	47,382
Employment Services	104,428
Re-employment Services	1,612
GFGP/WTW	1,204
WIA Administration	2,197
WIA Adult	16,717
WIA Dislocated Worker	37,894
WIA One-Stop	2,524
Regional Skills Alliance WIA	10,286
WIA Youth	56,308
Food Assistance	3,021
Transportation to Work	63,398
Joint Planning	2,583
Waste	235
Visions	11,700
Probation Services	<u>14,018</u>
	498,525
Traverse Bay Area Intermediate School District	13,205
Other	<u>40,375</u>
	<u>\$ 552,105</u>

Note 4 - Operating Leases

The Council has entered into leases for vehicles, office equipment and office space for Michigan Works! Service Centers. The leases are treated as operating leases since the Council will not own the assets after all lease payments have been remitted. At September 30, 2005, total lease payments remaining were \$950,955.

The following is a summary of the minimum future operating lease payments for the Council as of September 30, 2005.

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2006	\$ 325,347
2007	313,195
2008	200,941
2009	105,448
2010	<u>6,024</u>
	<u>\$ 950,955</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 4 - Operating Leases (continued)

Lease commitment for office space with Oleson Foundation; monthly rent payments of \$1,992 are required until February 29, 2008.	\$ 57,768
Lease commitment for office space with Petoskey Knight of Columbus; monthly rent payments of \$6,024 are required through October 31, 2009.	295,195
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$10,308 are required until April 9, 2008.	309,249
Lease commitment for office space with AC Geenen Associated, Inc.; monthly rent payments of \$4,737 are required until April 30, 2009.	203,677
Lease commitment for office space with Wexford County; monthly rent payments of \$4,051 are required until June 30, 2007.	<u>85,066</u>
	<u>\$ 950,955</u>

Note 5 - Long-Term Debt

The following is a summary of the long-term debt transactions for the Council for the year ended September 30, 2005:

	<u>Notes Payable</u>	<u>Accrued Expenses</u>	<u>Total</u>
Long-term debt at September 30, 2004	\$ 570,158	\$ 205,458	\$ 775,616
Net increase in accruals	-	27,285	27,285
Payments	<u>(76,793)</u>	<u>-</u>	<u>(76,793)</u>
Long-term debt at September 30, 2005	<u>\$ 493,365</u>	<u>\$ 232,743</u>	<u>\$ 726,108</u>

At September 30, 2005, the Council's long-term debt consisted of the following:

Notes Payable

The Old Kent Bank loan interest rate increased to 4.725% (70% of prime) from 3.325% in October 2005, at which time the monthly payment became \$8,200. Northwestern Michigan College is the guarantor of the bank loan. In the event of cancellation of the pre-paid lease (which is permitted with adequate notice), Northwestern Michigan College will assume the loan outstanding and refund to the Council a pro-rata portion of the non-borrowed funds the Council expended.	\$ 479,042
GMAC 0% interest auto loan.	<u>14,323</u>
	<u>\$ 493,365</u>

Accrued Expenses

Vacation pay owed to employees includes an allowance for Medicare expenses.	\$ 151,727
Terminal leave pay for accumulated sick leave owed to employees. Includes an allowance for Medicare expenses.	<u>81,016</u>
	<u>\$ 232,743</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 5 - Long-Term Debt (continued)

The annual requirements to amortize all notes payable outstanding as of September 30, 2005, are as follows:

Years Ending September 30,	Notes Payable		Auto Loan	
	Principal	Interest	Principal	Interest
2006	\$ 77,428	\$ 20,972	\$ 6,139	\$ -
2007	81,167	17,233	6,139	-
2008	85,086	13,314	2,045	-
2009	89,194	9,206	-	-
2010	93,501	4,899	-	-
Thereafter	52,666	721	-	-
	<u>\$ 479,042</u>	<u>\$ 66,345</u>	<u>\$ 14,323</u>	<u>\$ -0-</u>

The accrued expenses for terminal leave and vacation pay are not included in the above schedule due to the unknown nature and timing of the related employee payment claim requests.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	Sept. 30, 2004	Additions	Deletions	Sept. 30, 2005
Computers	\$ 117,605	\$ -	\$ 63,149	\$ 54,456
Equipment	30,814	9,642	23,725	16,731
Vehicles	<u>642,833</u>	<u>251,994</u>	<u>220,254</u>	<u>674,573</u>
Totals at historical cost	791,252	261,636	307,128	745,760
Less accumulated depreciation for:				
Computers	(102,161)	(9,128)	63,149	(48,140)
Equipment	(23,302)	(8,477)	23,725	(8,054)
Vehicles	<u>(503,532)</u>	<u>(67,874)</u>	<u>220,254</u>	<u>(351,152)</u>
Totals for accumulated depreciation	<u>(628,995)</u>	<u>(85,479)</u>	<u>307,128</u>	<u>(407,346)</u>
Capital assets, net	<u>\$ 162,257</u>	<u>\$ 176,157</u>	<u>\$ -0-</u>	<u>\$ 338,414</u>

Capital assets with title to equipment with an acquisition cost of \$5,000 or more is to be vested in the Michigan Works Agency (MWA). Vestment of title is contingent upon MWA's operation of applicable programs. Title of equipment will vest to Office of Workforce Development upon the MWA's termination of applicable programs

Note 7 - Prepaid Lease

The Council has entered into an agreement with Northwest Michigan College where by the Council leases facilities from Northwest Michigan College. The lease payments related to these facilities have been prepaid by the Council covering a 15 year time period that ends 2009.

Prepaid lease	\$ 1,806,825
Amortization	<u>(1,314,967)</u>
	<u>\$ 491,858</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 7 - Prepaid Lease (continued)

The amount reflected as prepaid lease as of September 30, 2005, represents the unamortized balance of the prepaid lease. The lease is being amortized over its fifteen year life (straight-line) in accordance with GASB #13. As of September 30, 2005, 49 months of the 180-month lease remained.

Note 8 - Retirement Plan

The Council has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. The Council contributes an amount equal to 14.2% of gross wages, which fulfills the Council's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. For the year ended September 30, 2005, the Council had a total and covered payroll of \$924,973. The Council made contributions to the retirement plan in the amount of \$131,346.

Note 9 - Deferred Compensation Plan

The Council offers its employees a deferred compensation plan. The plan, available to all Council employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. A trust was created effective July 1, 1997 to receive and hold assets of the plan. The plans assets are no longer required to be reported by the Council because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

Note 10 - Fund Equity Designations

Designated fund balances are used to management to designate a portion of fund equity to indicate that it is not appropriate for expenditures due to it being set aside for a specific future use.

The following is the fund balance designation as of September 30, 2005:

General Fund	
Designated for Accumulated Vacation and Sick Leave	<u>\$ 232,743</u>

Note 11 - Reliance on Funding Sources

The Council receives all of its support from various federal, state, and local grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on the Council's programs and activities.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 12 - Contract Commitments

The Council has contracts with various subcontractors to provide services under EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2005 totaled \$3,870,095. The EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs had sufficient grant amounts available to cover the commitments.

Note 13 - Risk Management

The Council is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Council carries commercial insurance.

OTHER SUPPLEMENTARY INFORMATION

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	<u>Procurement</u>	<u>MEDC</u>	<u>Host Match FY 04</u>
<u>Assets</u>			
Cash			
Petty Cash	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(14,088)	(8,000)	939
Accounts Receivable			
TBAISD	-	-	-
State of Michigan	27,200	8,000	-
Other	978	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 14,090</u>	<u>\$ -0-</u>	<u>\$ 939</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts Payable			
TBAISD	\$ -	\$ -	\$ -
State of Michigan	-	-	-
Other	14,090	-	939
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	14,090	-0-	939
Fund Balances			
Unreserved			
Undesignated, Reported in:			
Special Revenue Funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	-0-	-0-	-0-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 14,090</u>	<u>\$ -0-</u>	<u>\$ 939</u>

SBDC Match FY 03	SBTDC FY 04	Reed Act Service Center	SDBC FY 05	WIA Incentive Incumbent Worker	WIA Incumbent Worker State-wide
\$ - 954	\$ - 1,366	\$ - 618	\$ - (29,290)	\$ - 926	\$ - 10,406
-	-	-	-	-	-
-	-	-	32,929	-	-
-	-	-	2,000	-	-
<u>\$ 954</u>	<u>\$ 1,366</u>	<u>\$ 618</u>	<u>\$ 5,639</u>	<u>\$ 926</u>	<u>\$ 10,406</u>
\$ - - 954	\$ - 1,366 -	\$ - - 618	\$ - - 5,639	\$ - 926 -	\$ 9,958 448 -
954	1,366	618	5,639	926	10,406
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ 954</u>	<u>\$ 1,366</u>	<u>\$ 618</u>	<u>\$ 5,639</u>	<u>\$ 926</u>	<u>\$ 10,406</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	WIA State-wide	Trade Act	Employment Service 05/06	Employment Service 04/05
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(3,254)	11,223	(105,072)	147
Accounts Receivable				
TBAISD	-	-	644	324
State of Michigan	3,254	47,382	104,428	-
Other	-	-	-	-
Total Assets	<u>\$ -0-</u>	<u>\$ 58,605</u>	<u>\$ -0-</u>	<u>\$ 471</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ 58,605	\$ -	\$ -
State of Michigan	-	-	-	471
Other	-	-	-	-
Total Liabilities	<u>-0-</u>	<u>58,605</u>	<u>-0-</u>	<u>471</u>
Fund Balances				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balances	<u>\$ -0-</u>	<u>\$ 58,605</u>	<u>\$ -0-</u>	<u>\$ 471</u>

Reemployment Service 04/05	Reemployment Service 05/06	Transportation to Work TANF	Work First GFGP	TANF Support Services	Work First Reed Act	WIA Displaced Homemaker 04/05
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(2,703)	5,000	1,738	-	(3,895)	-
-	1,091	-	-	-	3,895	-
-	1,612	-	1,204	-	-	-
-	-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 2,942</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ 2,942	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	5,000	-	-	-	-
-0-	-0-	5,000	2,942	-0-	-0-	-0-
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 2,942</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	WIA Administration 05/06	WIA Adult 05/06	WIA Dislocated Worker 05/06	WIA Incentive 05/06
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(2,197)	(17,313)	(33,529)	-
Accounts Receivable				
TBAISD	-	596	-	-
State of Michigan	2,197	16,717	37,894	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>4,365</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ 4,365	\$ -
State of Michigan	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-0-	-0-	4,365	-0-
Fund Balances				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balances	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,365</u>	<u>\$ -0-</u>

<u>WIA One Stop</u>	<u>WIA Regional Skills Alliance</u>	<u>Regional Skills Alliance Mott</u>	<u>WIA State-wide Capacity Building</u>	<u>WIA Youth 05/06</u>	<u>EDA 04/05</u>
\$ - (2,524)	\$ - (10,286)	\$ - (8,984)	\$ - -	\$ - (45,513)	\$ - -
- 2,524	- 10,286	- -	- -	- 56,308	- -
- -	- -	8,984 -	- -	- -	- -
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>10,795</u>	<u>\$ -0-</u>
\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ 10,795 - -	\$ - - -
-0-	-0-	-0-	-0-	10,795	-0-
- -	- -	- -	- -	- -	- -
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,795</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	Food Stamps Support Service	Food Assistance	Adult Education	Transportation
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	500	(8,919)	-	(64,994)
Accounts Receivable				
TBAISD	-	5,898	-	-
State of Michigan	-	3,021	-	68,398
Other	-	-	-	-
 Total Assets	 \$ 500	 \$ -0-	 \$ -0-	 \$ 3,404
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ 70	\$ -	\$ -	\$ -
State of Michigan	430	-	-	-
Other	-	-	-	3,404
 Total Liabilities	 500	 -0-	 -0-	 3,404
Fund Balances				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
 Total Fund Balances	 -0-	 -0-	 -0-	 -0-
 Total Liabilities and Fund Balances	 \$ 500	 \$ -0-	 \$ -0-	 \$ 3,404

<u>Joint Planning</u>	<u>Waste</u>	<u>Visions</u>	<u>Hazard Abatement</u>	<u>Regional Planning</u>	<u>Probation Services</u>
\$ - (2,583)	\$ - (235)	\$ - (11,700)	\$ - -	\$ - 33,899	\$ - 86
- 2,583 -	- 235 -	- 11,700 -	- - -	- - -	- 14,018 -
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 33,899</u>	<u>\$ 14,104</u>
\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ - - 631	\$ - - 14,104
-0-	-0-	-0-	-0-	631	14,104
-	-	-	-	33,268	-
-0-	-0-	-0-	-0-	33,268	-0-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 33,899</u>	<u>\$ 14,104</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2005

	Quality of Life	Rotary	MRS Disability Loan	Loan Fund
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ 800	\$ -	\$ -
Cash and Cash Equivalents	3,951	35,423	11,049	11,798
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	-	-	-	-
Other	-	-	-	231
Total Assets	<u>\$ 3,951</u>	<u>\$ 36,223</u>	<u>\$ 11,049</u>	<u>\$ 12,029</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	-	36,223	-	-
Other	-	-	-	-
Total Liabilities	-0-	36,223	-0-	-0-
Fund Balances				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	3,951	-	11,049	12,029
Total Fund Balances	3,951	-0-	11,049	12,029
Total Liabilities and Fund Balances	<u>\$ 3,951</u>	<u>\$ 36,223</u>	<u>\$ 11,049</u>	<u>\$ 12,029</u>

<u>WIA DW National Reserve</u>	<u>Community Correction</u>	<u>Total</u>
\$ -	\$ -	\$ 800
9,541	(480)	(235,995)
-	-	12,448
-	46,635	498,525
-	-	12,193
<u>\$ 9,541</u>	<u>\$ 46,155</u>	<u>\$ 287,971</u>

\$ -	\$ -	\$ 86,735
9,541	-	49,405
-	46,155	91,534
9,541	46,155	227,674

-	-	60,297
-0-	-0-	60,297
<u>\$ 9,541</u>	<u>\$ 46,155</u>	<u>\$ 287,971</u>

Northwest Michigan Council of Governments
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2005

	<u>Procurement</u>	<u>MEDC</u>	<u>Host Match FY 04</u>
<u>Revenues</u>			
Grants	\$ 150,000	\$ 40,000	\$ -
Interest Earned	-	-	-
Other	-	-	7,180
	<u>150,000</u>	<u>40,000</u>	<u>7,180</u>
Total Revenues	150,000	40,000	7,180
<u>Expenditures</u>			
Administration	-	-	-
Training	-	-	-
Services	-	40,000	7,180
Intensive	-	-	-
Core Services	-	-	-
Procurement	150,000	-	-
	<u>150,000</u>	<u>40,000</u>	<u>7,180</u>
Total Expenditures	150,000	40,000	7,180
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SBDC Match FY 03	SBTDC FY 04	Reed Act Service Center	SBDC FY 05	WIA Incentive Incumbent Worker	WIA Incumbent Worker State-wide
\$ -	\$ 25,679	\$ 129,411	\$ 99,354	\$ -	\$ 89,105
-	-	-	-	-	-
5,572	50	-	-	-	-
5,572	25,729	129,411	99,354	-0-	89,105
-	-	-	-	-	6,624
-	-	-	-	-	-
5,572	25,729	129,411	99,354	-	82,481
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,572	25,729	129,411	99,354	-0-	89,105
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2005

	<u>WIA State-wide</u>	<u>Trade Act</u>	<u>Employment Service 05/06</u>	<u>Employment Service 04/05</u>
<u>Revenues</u>				
Grants	\$ 3,254	\$ 385,115	\$ 104,428	\$ 434,066
Interest Earned	-	-	-	-
Other	-	-	-	-
Total Revenues	3,254	385,115	104,428	434,066
<u>Expenditures</u>				
Administration	2,092	35,010	-	-
Training	-	350,105	-	-
Services	1,162	-	104,428	434,066
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
Total Expenditures	3,254	385,115	104,428	434,066
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Reemployment Service 04/05	Reemployment Service 05/06	Transportation to Work TANF	Work First GFGP	TANF Support Services	Work First Reed Act	WIA Displaced Homemaker 04/05
\$ 45,205	\$ 1,612	\$ 5,000	\$ 258,576	\$ 20,000	\$ 289,337	\$ 15,777
-	-	-	-	-	-	-
-	-	-	-	-	-	-
45,205	1,612	5,000	258,576	20,000	289,337	15,777
-	-	-	24,207	-	28,227	-
-	-	-	-	-	-	-
45,205	1,612	5,000	234,369	20,000	261,110	-
-	-	-	-	-	-	2,644
-	-	-	-	-	-	13,133
-	-	-	-	-	-	-
45,205	1,612	5,000	258,576	20,000	289,337	15,777
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and

Changes in Fund Balance - Governmental Funds

For the Year Ended September 30, 2005

	<u>WIA Administration 05/06</u>	<u>WIA Adult 05/06</u>	<u>WIA Dislocated Worker 05/06</u>	<u>WIA Incentive 05/06</u>
<u>Revenues</u>				
Grants	\$ 77,197	\$ 176,717	\$ 217,894	\$ 52,675
Interest Earned	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	77,197	176,717	217,894	52,675
<u>Expenditures</u>				
Administration	77,197	-	-	-
Training	-	81,951	64,766	-
Services	-	-	-	52,675
Intensive	-	18,448	31,276	-
Core Services	-	76,318	121,852	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	77,197	176,717	217,894	52,675
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WIA One Stop	WIA Regional Skills Alliance	Regional Skills Alliance Mott	WIA State-wide Capacity Building	WIA Youth 05/06	EDA 04/05
\$ 12,524	\$ 50,286	\$ 18,984	\$ 24,000	\$ 301,308	\$ 40,928
-	-	-	-	-	-
-	-	-	-	-	17,209
12,524	50,286	18,984	24,000	301,308	58,137
-	-	-	-	-	-
-	-	-	-	-	-
12,524	50,286	18,984	24,000	301,308	58,137
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,524	50,286	18,984	24,000	301,308	58,137
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2005

	Food Stamps Support Service	Food Assistance	Adult Education	Transportation
<u>Revenues</u>				
Grants	\$ 70	\$ 108,519	\$ 186,000	\$ 180,548
Interest Earned	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	70	108,519	186,000	180,548
<u>Expenditures</u>				
Administration	-	16,909	9,250	-
Training	-	-	-	-
Services	70	91,610	176,750	180,548
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	70	108,519	186,000	180,548
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Joint Planning</u>	<u>Waste</u>	<u>Visions</u>	<u>Hazard Abatement</u>	<u>Regional Planning</u>	<u>Probation Services</u>
\$ 7,238	\$ 6,058	\$ 32,004	\$ 26,819	\$ 500	\$ 126,205
-	-	-	-	-	-
-	-	-	-	50,124	-
7,238	6,058	32,004	26,819	50,624	126,205
-	-	-	-	-	-
-	-	-	-	-	-
7,238	6,058	32,004	26,819	17,618	126,205
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,238	6,058	32,004	26,819	17,618	126,205
-0-	-0-	-0-	-0-	33,006	-0-
-	-	-	-	262	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 33,268</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2005

	<u>Quality of Life</u>	<u>Rotary</u>	<u>MRS Disability Loan</u>	<u>Loan Fund</u>
<u>Revenues</u>				
Grants	\$ 30	\$ 777	\$ -	\$ -
Interest Earned	-	-	1,720	266
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	30	777	1,720	266
<u>Expenditures</u>				
Administration	-	-	-	-
Training	-	-	-	-
Services	40	777	18,663	1,591
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	40	777	18,663	1,591
Excess of Revenues Over (Under) Expenditures	(10)	-0-	(16,943)	(1,325)
Fund Balances, Beginning of Period	<hr/> 3,961	<hr/> -	<hr/> 27,992	<hr/> 13,354
Fund Balances, End of Period	<hr/> \$ 3,951	<hr/> \$ -0-	<hr/> \$ 11,049	<hr/> \$ 12,029

WIA DW National Reserve	Community Correction	Total
\$ 61,137	\$ 408,610	\$ 4,212,947
-	-	1,986
-	-	80,135
61,137	408,610	4,295,068
7,068	56,160	262,744
21,749	-	518,571
-	352,450	3,053,034
6,942	-	59,310
25,378	-	236,681
-	-	150,000
61,137	408,610	4,280,340
-0-	-0-	14,728
-	-	45,569
\$ -0-	\$ -0-	\$ 60,297

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF LABOR		
Passed through the Michigan Department of Labor and Economic Growth		
Workforce Investment Act	17.258 - 17.260 ^{(1) (3)}	
Administration		
PY04		\$ 320,660
PY05		77,197
Incumbent Worker - Statewide		89,105
Statewide		3,254
Displaced Homemaker FY05		15,777
Performance Incentive		52,675
One-Stop		12,524
RSA		30,286
Statewide Capacity Building		<u>24,000</u>
		625,478
Workforce Investment Act	17.258 ^{(1) (3)}	
Adult		
PY04		1,026,237
PY05		<u>176,717</u>
		1,202,954
Workforce Investment Act	17.259 ^{(1) (3)}	
Youth		
PY04		874,072
PY05		<u>301,308</u>
		1,175,380
Workforce Investment Act	17.260 ^{(1) (3)}	
Dislocated Worker		
PY04		1,134,953
PY05		217,894
National Reserve		<u>61,137</u>
		1,413,984
Employment Services	17.207	
Employment Services		
PY04		434,066
PY05		104,428
Reemployment Services		
PY04		45,205
PY05		<u>1,612</u>
		585,311

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF LABOR - CONTINUED		
Passed through the Michigan Department of Labor and Economic Growth - continued		
Unemployment Insurance - Reed Act	17.225	
Work First FY05		\$ 289,337
Service Center		<u>129,411</u>
		418,748
TAA/NAFTA	17.245	
Trade Act		<u>385,115</u>
TOTAL U.S. DEPARTMENT OF LABOR		5,806,970
U.S. DEPARTMENT OF EDUCATION		
Passed through Michigan Department of Education		
Adult Education and Family Literacy	84.002A ⁽¹⁾	
Regular		186,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the U.S. Small Business Administration and Grand Valley State University		
SBDC Regional Center	59.037 ⁽¹⁾	
FY04		25,679
FY05		<u>99,354</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		125,033
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Passed through the Michigan Department of State Police and Grand Traverse County		
Hazard Mitigation FY03/05	83.548	26,819
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the Family Independence Agency and the Michigan Department of Labor and Economic Growth		
Temporary Assistance for Needy Families	93.558 ⁽¹⁾	
Work First FY05		1,009,214
Transportation to Work FY05		5,000
Supportive Services		<u>20,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		1,034,214
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the Michigan Department of Labor and Economic Growth		
Food Stamps Employment and Training FY05	10.561	108,519
Food Stamps Supportive Services FY05		<u>1,225</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		109,744

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2005

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF DEFENSE		
Passed through the Defense Logistics Agency	12.002 ⁽¹⁾	
Procurement - Technical Assistance FY05		\$ 150,000
U.S. DEPARTMENT OF COMMERCE		
Passed through the Economic Development Administration	11.302	
Economic Development - Support for Planning Organizations		
District Continuation Grant 04/05		40,928
Passed through the National Oceanic and Atmospheric Administration	11.UKN	
Coastal Zone Management		
Michigan Coastal Management Program		<u>7,238</u>
TOTAL U.S. DEPARTMENT OF COMMERCE		48,166
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through the Michigan Department of Transportation	20.205	
Highway Planning and Construction		
FY05 - M-119		33,000
FY05 - M-22		27,412
FY05 - Trails		34,000
FY05 - TL - TALUS		<u>3,044</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>97,456</u>
TOTAL FEDERAL AWARDS		<u>\$ 7,584,302</u>

⁽¹⁾ Program is considered a "major" program.

⁽²⁾ The following reconciles the Federal expenditures to the grant revenues reported in the fund financial statements:

Federal expenditures per schedule	\$ 7,584,302
Non-Federal expenditures reported in the fund financial statements	<u>993,781</u>
	<u>\$ 8,578,083</u>

⁽³⁾ Denotes programs required to be clustered by the United States Department of Labor.

Northwest Michigan Council of Governments

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2005

NOTE A: BASIS OF PRESENTATION

The Northwest Michigan Council of Governments (NWMCOG), as a governmental organization reports on the modified accrual basis of accounting for financial statement presentation in accordance with accounting principles generally accepted in the United States of America.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NWMCOG, and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the financial statements of the governmental activities and major funds of Northwest Michigan Council of Governments as of and for the year ended September 30, 2005, which collectively comprise Northwest Michigan Council of Governments basic financial statements and have issued our report thereon dated February 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Michigan Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors and management of Northwest Michigan Council of Governments, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.
ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 7, 2006

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

Compliance

We have audited the compliance of Northwest Michigan Council of Governments with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2005. Northwest Michigan Council of Governments' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Northwest Michigan Council of Governments' management. Our responsibility is to express an opinion on Northwest Michigan Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Northwest Michigan Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Michigan Council of Governments' compliance with those requirements.

In our opinion, Northwest Michigan Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is described in the accompanying schedule of findings as item #2005-1.

Internal Control Over Compliance

The management of Northwest Michigan Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Northwest Michigan Council of Governments, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 7, 2006

Northwest Michigan Council of Governments

SCHEDULE OF FINDINGS

Year Ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material effect on the combined financial statements.

An unqualified opinion was issued on compliance for major programs. We did disclose one (1) finding regarding internal controls or compliance related to the major programs tested which is detailed below as Finding # 2005-1.

The major programs tested to cover a minimum 25 percent of the total Federal expenditures were the Workforce Investment Act (WIA) Program Cluster (CFDA 17.258-17.260), Temporary Assistance For Needy Families (TANF) Program (CFDA 93.558), Adult Education and Family Literacy Program (CFDA 84.002), SBDC Regional Center Program (CFDA 59.037), and the Procurement Program (CFDA 12.002). Total Federal expenditures for the year ended September 30, 2005 for the major programs tested were \$5,226,428, which is approximately 69 percent of the total Federal expenditures. Based on the criteria of OMB Circular A-133, Northwest Michigan Council of Governments qualified as a low-risk auditee for the year September 30, 2005.

The Consortium had five (5) Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

FINDING #2005-1 - CASH MANAGEMENT

Program: WIA Cluster (CFDA 17.258 - 17.260)

Condition: During our testing of a cash management procedures for sample time periods, we noted three (3) instances where the cumulative cash draws exceeded the cash disbursements at that point in time by amounts that appeared to be in excess of immediate needs (i.e., WIA Adult program excess was \$159,922; WIA Dislocated Worker program excess was \$110,162; WIA Administration excess was \$17,293).

Criteria: Federal administrative requirements related to cash management require that subgrantees limit draw down of grant funds to meet "immediate needs", which sometimes is interpreted as being expended within 3 days of receipt of the funds.

Effect: Because of the drawdown of excess funds, the Council does not appear to be in compliance with cash management standards in relation to this program. The Council also has earned "program income" on excess cash in excess of amounts that are allowed to be maintained which must be remitted to the applicable funding sources.

Northwest Michigan Council of Governments

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2005

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 - continued.

FINDING #05-1 - CASH MANAGEMENT - CONTINUED

Recommendation: We recommend the Council review drawdown and related cash management procedures to assure that all components in determining drawdown amounts are included when calculating amounts. The Council should also internally monitor the cash drawdown requests to assure that excess funds are not on hand.

Response:

The COG is 100% grant funded. Unlike other local units of government, the COG has no "General Fund" which it can use for cash flow. If cash is not received within the expected time frame, the only COG option is to hold payroll and/or accounts payable checks until it receives sufficient cash to cover them.

It should be noted that the COG has a history of encountering problems with DLEG timely processing of COG cash requests. Because of the incidences the COG has experienced over many years when cash was not promptly forthcoming, it understandably built into its cash request procedures a "cushion" so it could meet payroll and accounts payable liabilities promptly.

The COG has implemented the following corrective action:

- The COG is now using Electronic Funds Transfer (EFT) to receive cash from the State of Michigan. This has cut the "turn around" time between submitting a cash request and receiving the cash by approximately three days.
- Prior to the audit and monitoring, the COG ordered cash from DLEG monthly. The COG is now ordering cash bi-weekly to correspond to its established schedule for accounts payable check runs.
- The COG is working on the development of a computerized report that would calculate the average daily cash balance by fund so that cash balances can be effectively monitored by COG staff. The average daily cash balance by fund report is not currently provided by its accounting software; the only available cash balances report is point-in-time which doesn't present the data in a useful format for this purpose. Discussions regarding the feasibility of programming such a report have begun with the accounting software provider. Whether the COG obtains it, however, will likely depend on cost.

Northwest Michigan Council of Governments

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.